

## ***Chapter 9 – Income Verification***

All households receiving HOME or CDBG assistance must be income eligible. Therefore, the income verification process must be completed before the assistance begins. IHFA has chosen to utilize the Section 8 Definition of Income which means that income must be projected forward twelve months from the time of verification.

HUD's website provides a calculator that allows for you to enter the applicable information and will automatically calculate household income and also allows for re-certification of household income. In order to do this, please go to <http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm>. In order to use the form, click on calculator, step by step method and answer the questions. Please note to also click on the part 5 Annual Income (this is the appropriate method that IHFA utilizes for income verification). The income documentation will print in the same format that is given in Exhibit A of this chapter.

Additionally, a copy of the Technical Guide for Determining Income and Allowances for the HOME Program may be ordered at 1-800-998-9999. A comprehensive list of publications offered by the Community Connections division may be accessed at <http://www.comcon.org>. The publications link is listed under the highlights section and is a PDF file. Please note that all publications are free.

### ***A. Initial Income Certifications***

Households must qualify as low income at the time of initial occupancy or at the time HOME funds are invested, whichever is later.

#### ***Determining eligibility for Homebuyers***

- In the case of a contract to purchase existing housing, at the time of purchase;
- In the case of a lease-purchase agreement for existing housing or for housing to be constructed, at the time the agreement is signed; or
- In the case of a contract to purchase housing to be constructed, at the time the contract is signed.

#### ***Determining eligibility for Owner-Occupant Projects***

- Households must be income eligible at the time the construction contract is executed.

#### ***Determining eligibility for Rental Projects***

- Households must be income eligible at the time of lease execution.

*An income verification is good for six months from the time of verification. If more than six months lapse, the household income must be reverified.*

### ***B. Owner-Occupied Rehabilitation (Both HOME & CDBG)***

In addition to calculating an applicant's annual gross income, a recipient must include verification that the home being rehabilitated is the primary residence of the applicant. (A copy of the mortgage or deed should be added to the file.) Please note that land contracts and life estates are not considered ownership under the HOME Program but are eligible for assistance under the CDBG program.

### ***C. Rental Tenants***

Household income must be certified at the time of occupancy and re-certified on an annual basis in accordance with the Section 8 method of verifying income.

#### ***Income Re-Verification for Rental Tenants***

Income certifications should be effective on each tenant's "anniversary date" (one year from the start of assistance or their last recertification date), the income certification process should begin approximately 60 days prior to that date.

What happens if a rental tenant's income exceeds the percentage of area median income for that unit? The next available unit would need to be occupied by the area median income applicable for the unit that is now considered temporarily non-compliant. The existing tenants rent may be raised to the applicable rent level for the area median income level.

What happens if a rental tenants income exceeds 80% of the area median income? Refer to the following table for the rent that should be charged to the tenant.

	HOME "fixed"	HOME "floating"	HOME/RHTC
Above 80% Units	30% of adjusted tenant income	30% of adjusted tenant income not to exceed market rent for comparable unit in area	See below

Above 80% AMI – HOME/RHTC Rental Tenants:

- 100% tax credit building – rent can never exceed the 60% limit;
- 100% tax credit building on mixed project (50%/60% Units) – 50% unit cannot have increased rent to the 60% level until both the tenant income reaches 140% of the 50% AMI and the 50% unit has been replaced.

Market and RHTC – tenant stays at move-in limit until both the income increases to 140% of the 60% AMI and the unit has been replaced then the rent of this tenant can be raised as high as the property manager sees fit.

### ***D. Record Keeping***

IHFA strongly recommends efficient record-keeping for monitoring purposes. A summary sheet may be placed in tenant/beneficiary files as a self check-list for recipients. The following is a guideline for the recipient's use:

- All sources of income (Wages, Social Security, Child Support, etc.)
- Total annual income (Sheet demonstrating manner in which recipient calculated income)
- Supporting documentation (employee wage verification, Social Security benefit statement, etc.)

Please refer to Exhibit A for a form to help document household income or go to HUD's website at <http://www.hud.gov/offices/cpd/affordablehousing/library/forms/index.cfm#inc>.

### ***E. Annual Household Income***

HUD published a guidebook *Technical Guide for Determining Income and Allowance for the HOME Program* that should be used as a reference if there are any questions regarding whether or not something

is or is not included in income. The guidebook is divided into five chapters. Chapter One gives the reader an overview of important income-related program requirements. Chapter Two focuses on the general program requirements. Chapter Three lists methods for verifying the annual income of a given household. Chapters Four and Five list approved methods of adjusting income to determine a given household's ability to pay housing costs and methods for calculating the amount of assistance for which a given household is eligible, once the verification process is completed (essential in administering a tenant-based rental assistance program).

The only chapter from the Technical Guide covered is chapter 3, Calculating Annual Income. If you would like a copy of the full Guide please request it from your IHFA Compliance Specialist.

### *HUD Presumptions*

HUD presumes certain groups meet the lower income criteria. HUD has defined these groups as: abused children, battered spouses, elderly persons, adults with severe disabilities, homeless persons, illiterate persons, persons living with AIDS, and migrant workers.

### *Annual Gross Income*

IHFA has chosen to use the annual income definition as found at 24 CFR Part 5. The definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

### *Whose Income Should Be Counted*

*Earned income of minors.* Earned income of minors (age 17 and under) is not counted. Unearned income attributable to a minor (e.g. child support, AFDC payments and other benefits paid on behalf of a minor) is included; and

*Income of live-in aides.* If a household included a paid live-in aide (whether paid by the family or social service program), the income of the live-in aide, regardless of the source, is not counted. Except under unusual circumstances, a related person can not be considered a live-in aide.

*Temporarily absent family members.* The income of temporarily absent family member is counted in Part 5 definition of annual income – regardless of the amount the absent family member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600 per week. He keeps \$200 per week for expenses and send \$400 per week to his family. The entire amount (\$600 per week) is counted in the family's income.

*Adult students living away from home.* If the adult student is counted as a member of the household in determining the household size (to compare against the HUD income limits), the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is the head of household or spouse (their full income must be counted); and

*Permanently absent family members.* If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

*Income of College Students.* The income of each household should be counted; however, several exceptions should be noted. If college students 18 years of age or older work, only \$480 of their income should be included in the household's calculation.

Example: James works at the Fancy Folks Pizzeria for twenty hours per week making \$7.50 per hour, \$7,800 per year. Only \$480 of James's salary would be counted toward the household's income.

### *Income Inclusions*

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses, and other compensation for personal services.
2. Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining the net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a period payment (except as provided in number 14 of Income Exclusions).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - ◆ The amount of allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - ◆ The maximum amounts that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

### *Income Exclusions*

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).

3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of live-in aide (as defined in 24 CFR 5.403).
6. The full amount of student financial assistance paid directly to the student or to the educational institution.
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
8.
  - a. Amounts received under training programs funded by HUD.
  - b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
  - c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and that are made solely to allow participation in a specific program.
  - d. Amounts received under a resident service stipend (as defined in 24 CFR 5.609(c)(8)(iv)).
  - e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only of the period during which the family member participates in the employment-training program.
9. Temporary, nonrecurring, or sporadic income (including gifts).
10. Reparation payments paid by foreign government pursuant to claims under the laws of the government by persons who were persecuted during the Nazi era.
11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
12. Adoption assistance payments in excess of \$480 per adopted child.
13. For public housing only, the earnings and benefits to any family member resulting from the participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of the 1937 Act (43 U.S.C. 1437t), or any comparable federal, state, or local law during the exclusion period.
14. Deferred period amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Amounts paid by a state agency to a family member who has a developmental disability and is living at home to off set the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Amount specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including,
  - ◆ The value of the allotment made under the Food Stamp Act of 1977;
  - ◆ Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
  - ◆ Payments received under the Alaskan Native Claims Settlement Act;
  - ◆ Payment from the disposal of funds of the Grand River Band of Ottawa Indians;

- ◆ Payments from certain submarginal U.S. land held in trust for certain Indian tribes;
- ◆ Payments, rebates or credits received under Federal Low-Income Home Energy Assistance Programs (includes any winter differentials given to the elderly);
- ◆ Payments received under the Main Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 9z Stat.1785);
- ◆ The first \$2,000 of per capita shares received from judgements awarded by the Indian Claims Commission or the Court of Claims or from funds the Secretary of Interior holds in trust for an Indian tribe;
- ◆ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs, or veterans benefits;
- ◆ Payments received under Title V of the Older Americans Act (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- ◆ Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- ◆ Earned income tax credit;
- ◆ The value of any child care provided or reimbursed under the Child Care and Development Block Grant Act of 1990; and
- ◆ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, State job training programs and career intern programs).

### *Welfare Rent as Income*

Welfare assistance is counted as income. Most PJs will use the actual gross amount of welfare assistance the household received. In certain “as-paid” localities, however, a special calculation is required. In an as-paid jurisdiction, welfare assistance for housing costs is established separately from the rest of the welfare assistance and may be adjusted based on the actual cost of the family’s housing.

For welfare recipients, PJs in as-paid jurisdictions must count as income the amount of general assistance the family received plus the maximum amount of housing assistance the family could receive (rather than the amount the household is actually receiving).

### *Self-Employed Persons*

Self-employment net income (after business expenses) from non-farm business, including proprietorship and partnership must be counted. Also, farm self-employment net income (after operating expenses) must be counted. Include amounts from land rented for shares.

### *Military Income*

All regular pay, special pay, and allowances of a member of the Armed Forces must be counted. The exception to this rule is special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

## ***F. Treatment of Assets***

There is no asset limitation in the HOME/CDBG Program.

### *What to Include as an Asset*

In general terms, an asset is a cash or noncash item that can be converted to cash. It is the income earned on something that is not counted as the asset value (e.g. count the interest on the savings account not the asset value).

The market value of an asset is simply its dollar value on the open market. For example, the market value of a share of stock is the price quoted on the stock exchange on a particular day. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

An asset's cash value is the market value less reasonable expenses required to convert the assets to cash including:

- ◆ Penalties or fees for converting financial holdings. Any penalties, fees or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value.
- ◆ Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property and any legal fees associated with the sale of real property are deducted from the market value to determine equity in real estate.

For the purposes of calculating annual income, the cash value of an item is counted as the asset, not the market value.

### *Actual Income from Assets*

In general, the income counted is the actual income generated by the asset. The income is counted, even if the household elects not to receive it. For example, though an applicant may elect to reinvest the interest or dividend from an asset, the interest or dividends is still counted as income.

To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Checking accounts are assets. You should use the average monthly balance over a six-month period as the cash value of the checking account.

### *Two Unique Rules*

#### *1. When an Asset Produces Little or No Income*

This rule assumes that a household with assets has an increased payment ability even if the assets do not currently produce income. Rather than dispose of the property (asset), the rule requires that an "imputed" income be calculated based on the Passbook Rate which is currently 2%.

This rule only applies if the total cash value of all assets is more than \$5,000.

Example 1: The Cayhill family has \$6,000 (average balance over six months) in a non interest-bearing checking account. The recipient would include in annual income an amount based on the current Passbook Rate, \$120.

Example 2: The Shaw family has \$3,000 (average balance over six months) in a non interest-bearing checking account and \$5,500 in an interest-bearing savings account. The family reports and the grantee verifies \$150 interest on the savings account. The recipient would count the greater of the actual income from the assets or the imputed income based on the Passbook Rate:

Imputed Rate (8,500 * 2%) =	\$170
Actual Income	\$150
Included in Annual Income Calculation	\$170

Example 3: The Smiths have \$600 (average balance over six months) in a non interest-bearing checking account. No income would be counted because the total value of assets is less than \$5,000.

## 2. *When Assets are Disposed of at Less than Fair Market Value*

Part 5 rule requires that any asset disposed of for less than the fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset.

Example 1: Mr. Jones cashed in stock to give to a granddaughter for funds for college in August 1997. The stock has a market value of \$4,500 and a broker fee of \$500 was charged for the transaction. The \$4,000 (\$4,500 - \$500) would be counted for any income determination until August 1999. If Mr. Jones had no other assets, no income from assets would be included in annual income because the cash value of the asset is less than \$5,000. If other assets brought total assets to more than \$5,000, however, the imputed income calculation would need to be done.

Example 2: Mrs. Dutch “sold” a piece of property to a family member for \$30,000 on July 1, 2003. The home was valued at \$75,000 and had no loans against it.

Market Value	\$75,000
Less settlement costs	\$ 3,000
Less sales price	<u>\$30,000</u>
Cash value to be considered	\$42,000

The \$42,000 would be counted as an asset for any income determination until July 1, 2005. You would calculate the imputed cash value using the Passbook Rate.

However, assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

### *Asset Inclusions*

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME (also CDBG owner-occupied



housing) equity in a family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement accounts and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

#### *Asset Exclusions*

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated from the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

#### **G. Current Passbook Savings Rate**

The current passbook savings rate is 2%

#### **H. Definitions**

*Gross amount:* For those types of income counted, gross amounts (before any deductions have been taken) are used;

*Income of all adult household members:* The Part 5 definition of annual income contains income to be counted – and "exclusions" – types of income that are not considered (for example, income of minors); and

*Anticipated to be received:* The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. A PJ must, therefore, use a household's expected ability to pay, rather than past earnings, when estimating housing assistance needs.

#### **I. How To Calculate Area Median Income Percentages**

To calculate the percentage of area median income, do the following:

- 50% Limit for Household Size \* 2 = 100% Area Median Income Limits
- Actual Household Income/100% Area Median Income Limit = % of Area Median Income

### *Example*

A family of four in Bartholomew County makes \$17,800 per year. The 50% limit for a family of four in Bartholomew County is \$24,750. The percentage of area median income is calculated as follows:

Step 1: What is the total household income? \$17,800

Step 2: What is the 50% area median income for a family of four? \$24,750

Step 3: What is 100% of the area median income for a family of four? \$49,500 [\$24,750\*2]

Step 4: What is the households percentage of area median income? 36% [Step 1/Step 3]

### ***J. Calculating Income & Assets***

Edward and Doris Battle, a thirty-something couple, live in Atlanta, IN. Edward decided that as the man of the house, he should take care of the family; therefore, Doris and their five children live on Edward's \$40,000 a year salary at the Bottles-R-Us factory. Their monthly salary is \$3,333.33.

The Battle's have \$7,000 in a savings account for a home someday; \$5,000 from a Hoosier Lottery scratch-off ticket; and a coin collection recently appraised at \$3,500.

If the median income limit for a family of seven is \$63,600, are the Battle's eligible for assistance from your organization?

### *Example*

<i>Family Members</i>	<i>Position In Family</i>	<i>Age</i>	<i>Income Sources</i>
Edward Battle	Head	34	Wages totaling \$3,333.33 per month

ANTICIPATED ANNUAL INCOME					
Family Member	a. Wages/Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Edward Battle	\$40,000				\$40,000
6. Totals					
7. Enter total of	Items from 6a	through 6e.	This is Annual	Income	7.\$40,0000

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income From Assets
Edward	Savings Account	\$7,000.00	
	Coin Collection	\$3,500.00	\$3,500.00
3. Net Cash Value of Assets		\$7,000.00	
4. Total Actual Income From Assets			
5. If line 3 is greater than \$5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank		\$140	\$140

### *Explanation*

Edward's income is calculated as \$40,000(\$3,333 x 12). This was verified by the HR Director. Since the Joneses savings account total is greater than \$5,000, the amount is calculated by the 2% Passbook Rate, \$7,000 x 2%, totaling \$140. The full value of the coin collection must be counted; therefore, the Joneses total annual income is \$43,640. The Joneses are eligible for assistance.

### *Examples of Calculating Annual Income*

#### *Example 1*

<i>Family Members</i>	<i>Position in Family</i>	<i>Age</i>	<i>Income Sources</i>
Ricky Ricardo	Head	80	Receives gross Social Security in the amount of \$625/month; receives a pension from the local musicians' union in the amount of \$25 every quarter (3 months).
Lucy Ricardo	Spouse	79	Receives gross Social Security in the amount of \$120/month; grossed \$4,200 for giving voice lessons last year, but paid business expenses of \$1,250 from this income for equipment and sound proofing.
Ricky Ricardo II	Child	45	Earns \$330/week as an interpreter for a local nonprofit organization.
If the Low Income Limit for a household of 3 is \$30,000 and the Ricardo's have no other source of income, do they qualify for assistance?			

## ANTICIPATED ANNUAL INCOME

<i>Family Member</i>	<i>a. Wages/ Salaries</i>	<i>b. Benefits/ Pensions</i>	<i>c. Public Assistance</i>	<i>d. Other Income</i>	<i>e. Asset Income</i>
Ricky		\$ 7,600			Enter the Greater of lines 4 or 5 from above in e
Lucy		\$ 1,440		\$ 2,950	
Ricky II	\$ 17,160				
6. Totals	a. \$17,160	b. \$9,040	c.	d. \$2,950	e. N/A
7. Enter total of items from 6a through 6e. This is Annual Income.....					7. \$29, 150

The household is eligible for assistance.

### *Explanation*

Ricky	Ricky's entire income is composed of pensions and benefits. It equals \$625/month x 12 months/year + \$25/quarter x 4 quarters/year = 7,600.
Lucy	Lucy's benefits income is \$120/month x 12 months/year, or \$1,440. Her net income from her business was \$4,200-\$1,250, or \$2,950. (Her equipment and soundproofing expense is an allowable deduction because the business funds were reinvented in the business and did not represent expansion. Refer to Exhibit 3.1. )
Ricky II	Ricky II's income is wage income. The calculation is \$330/week x 52 weeks/year = \$17,160.

### *Example 2*

<i>Family Members</i>	<i>Position in Family</i>	<i>Age</i>	<i>Income Sources</i>
George Jefferson	Head	53	Works full-time at \$7.25/hour; also receives \$400/month from the government as a result of a settlement in the Agent Orange product liability litigation.
Eloise Jefferson	Spouse	48	Works 18 hours/week at a bank at \$7.50/hour; also receives \$50/month from her mother to help with expenses.
Lionel Jefferson	Son	19	Full-time student at City College where he has a part-time, 15-hour/week job in the student bookstore at \$6.00/hour for the 46 weeks when classes are in session.
Under the HOME/CDBG Program, the Income Limit for a family of three in the jurisdiction is \$23,900. Are the Jefferson's eligible for HOME/CDBG assistance? Assume the Jefferson's have no assets.			

### ANTICIPATED ANNUAL INCOME

<i>Family Member</i>	<i>a. Wages/ Salaries</i>	<i>b. Benefits/ Pensions</i>	<i>c. Public Assistance</i>	<i>d. Other Income</i>	<i>e. Asset Income</i>
George	\$ 15,080				Enter the Greater of lines 4 or 5 from above in e
Eloise	\$ 7,020			\$600	
Lionel	\$ 480				
6. Totals	a. \$22,580	b.	c.	d. \$600	e. N/A
7. Enter total of items from 6a through 6e. This is Annual Income.....					7. \$23,180

This family is eligible for assistance.

#### *Explanation*

George                      George's earnings from work count as income, but his income from the Agent Orange Settlement Funds does not.

Eloise                      Eloise's income from wages of \$7.50 @ 18 hours a week for \$7,202 as well as her gift of \$50 a month.

Lionel                      Only the first \$480 of his earnings count since Lionel is a full-time student.

#### *Example 3*

<i>Family Members</i>	<i>Position in Family</i>	<i>Age</i>	<i>Income Sources</i>
Blanche Deverou	Head	55	Works 6 hours/night, 4 nights/week at \$5.00/hour as waitress; also earns an average of \$55/night in tips.
Rose Nylen	Friend	58	Earns \$6.50/hour as a full-time aide in a hospital; employer reports that her wages will increase to \$6.75/hour; 7 weeks from the effective date of this calculation.
Dorothy Spornac	Friend	61	Earns \$60/day as a substitute teacher, and works an average of 3 days/week for the 40 weeks school is in session (she made \$7,200 last year); also received \$40/month in Food Stamps.
Under the HOME/CDBG Program, the Income Limit for a household of three is \$38,500			

### ANTICIPATED ANNUAL INCOME

<i>Family Member</i>	<i>a. Wages/ Salaries</i>	<i>b. Benefits/ Pensions</i>	<i>c. Public Assistance</i>	<i>d. Other Income</i>	<i>e. Asset Income</i>
Blanche	\$ 17,680				Enter the Greater of lines 4 or 5 from above in e
Rose	\$ 13,980				
Dorothy	\$ 7,200				
6. Totals	a. \$38,860	b.	c.	d.	e. N/A
7. Enter total of items from 6a through 6e. This is Annual Income.....					7. \$38,860

This household is not eligible for assistance. Their income exceeds the limit for a household of three.

### *Explanation*

Blanche	Blanche's income must include both the wages and tips.
Rose	(1) Calculate the wages for the first six weeks at \$6.50 an hour (\$1,560). (2) Calculate the wages for 46 weeks at \$6.75 an hour (\$12,420).
Dorothy	Dorothy made \$7,200 last year, and there is no reason to expect that she will work more or less often in the coming year. Her income is, therefore, estimated at \$7,200. Food Stamps are an income exclusion.

### *Examples of Asset Calculations*

#### *Example 1*

<i>Family Members</i>	<i>Assets</i>	<i>Asset Value</i>
John Herrera	Checking Account	\$870 average 6-month balance with an interest rate of 2.7%
	Inheritance	Received an inheritance of \$30,000 that he used to buy a new car for \$12,000; pay off his \$3,000 credit card bill; and open a mutual funds account to invest the remaining \$15,000 at an annual interest rate of 5.3%.

<b>Assets</b>			
<i>Family Member</i>	<i>Asset Description</i>	<i>Current Cash Value of Assets</i>	<i>Actual Income from Assets</i>
Juan Herrera	Checking Account	\$ 870	\$ 23
Juan Herrera	Mutual Fund	\$15,000	\$795
Net Cash Value of Assets		\$15,870	
Total Actual Income From Assets			\$818
If Net Cash Value of Assets is greater than \$5,000, multiply by 2% and enter results here, otherwise, leave blank			\$317

The asset income to be used in the annual income calculation is \$818.

### *Explanation*

Checking account	The income from the checking account is calculated based on the 6-month balance and the interest rate (\$870 * 2.7%).
Inheritance	A car owned for personal use is not an asset. However, the mutual funds is an asset (\$15,000 * 5.3%).

#### *Example 2*

<i>Family Members</i>	<i>Position in Family</i>	<i>Age</i>	<i>Family Assets</i>	<i>Asset Value</i>
Archie Bunker	Head	72	Checking account	\$595 average 6-month balance in a non interest-bearing account.
Edith Bunker	Spouse	73	Savings account	\$2,695 at 3.1%

<b>Assets</b>			
<i>Family Member</i>	<i>Asset Description</i>	<i>Current Cash Value of Assets</i>	<i>Actual Income from Assets</i>
Archie Bunker	Checking Account	\$ 595	0
Edith Bunker	Savings Account	\$2,695	\$84
Net Cash Value of Assets		\$3,290	
Total Actual Income From Assets			\$84
If Net Cash Value of Assets is greater than \$5,000, multiply by 2% and enter results here, otherwise, leave blank			

The asset income to be used in the annual income calculation is \$84.

### *Explanation*

Use the actual income in this case, because the cash value of the Bunker's total assets is less than \$5,000. The imputed income is only calculated for assets when the total cash value of all assets exceeds \$5,000.

### *Example 3*

<i>Family Members</i>	<i>Position in Family</i>	<i>Age</i>	<i>Family Assets</i>	<i>Asset Value</i>
Fred Mertz	Head	85	Rental Property	Small rental property that grosses \$6,500/year (expenses to keep up the property are \$3,400/year). The property has a fair market value of \$69,000, but they have a mortgage on the property in the amount of \$35,000. The average closing cost in a real estate transaction is 8% in the area.
Ethel Mertz	Spouse	81	Savings account & Stock	Savings of \$5,000 that earned \$179 in interest during the past year. 100 shares of stock with a face value of \$4.25 per share, that have not shown a dividend in years. The cost to sell the stock would be about \$76.

<b>Assets</b>			
<i>Family Member</i>	<i>Asset Description</i>	<i>Current Cash Value of Assets</i>	<i>Actual Income from Assets</i>
Fred	Rental Property	\$28,480	\$3,100
Ethel	Savings Account	\$ 5,000	\$ 179
Ethel	Stock	\$ 349	
Net Cash Value of Assets		\$33,829	
Total Actual Income From Assets			\$3,279
If Net Cash Value of Assets is greater than \$5,000, multiply by 2% and enter results here, otherwise, leave blank			\$ 676

The Mertz' income from assets is \$3,279.

*Explanation*

Apartment Building	The cash value of the property is:	
	Market Value	\$69,000
	Less Mortgage	35,000
	Less sales costs (\$69,000*8%)	<u>5,520</u>
	Cash Value	\$28,480
Stock	Fair Market Value	\$425
	Cost to sell	<u>76</u>
	Cash Value	\$349

***K. Income Verification Exhibits***

- A Calculating Annual Income
- B Verification of Employment
- C Verification of Income from a Business
- D Verification of Social Security Benefits
- E Verification of Child Support Payments
- F Verification of Full-Time Student Status
- G Verification of Unemployment Benefits
- H Verification of Public Assistance Income
- I Verification of Assets on Deposit